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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, April 22, 2002

PETITION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUA-2002-00014

and

DOMINION ENERGY MARKETING, INC.

For an exemption of wholesale power contract assignments from the filing and prior approval requirements of § 56-77 of the Code of Virginia or, in the alternative, for approval of assignment of Master Power Purchase and Sale Agreement, Master Power Purchase and Sale Agreement Confirmation Letter, and Limited Agency Agreement to Dominion Energy Marketing, Inc., and for expedited consideration

ORDER GRANTING EXEMPTION

On March 8, 2002, Virginia Electric and Power Company (“Dominion Virginia Power”, “Company”) and Dominion Energy Marketing, Inc. (“DEMI”), (collectively, the “Petitioners”) filed a petition with the State Corporation Commission (“Commission”) under the Affiliates Act for an exemption from the filing and prior approval requirements of § 56-77 of the Code of Virginia or, in the alternative, for approval for the assignment of a Master Power Purchase and Sale Agreement, Master Power Purchase and Sale Agreement Confirmation Letter, and Limited Agency Agreement (collectively, the “Agreement”) from Dominion Virginia Power to DEMI.

Dominion Virginia Power is a Virginia public service corporation providing retail electric service to customers in its service territory in Virginia and North Carolina and is wholly owned by Dominion Resources, Inc. (“DRI”). DEMI is a Delaware corporation participating in the wholesale market for purchases and sales of electric energy as well as participating in the market for related financial derivatives. DEMI is an indirect wholly owned subsidiary of DRI.

Dominion Virginia Power requests an exemption from the filing and prior approval requirements of the Affiliates Act or, in the alternative, approval for the assignment of the Agreement from Dominion Virginia Power to DEMI. The Agreement is between Dominion Virginia Power and the Borough of Tarentum, Pennsylvania (the “Borough”).

Pursuant to the Agreement, Dominion Virginia Power has the exclusive right and obligation to supply 100% of the Borough’s requirements of wholesale energy and all ancillary services for the Borough’s customers, representing a peak load of approximately 9MW. Service under the contract began on March 16, 2002, and is set to end on March 31, 2005. Service under the contract will be provided within the Allegheny Power Control Area and, after the effective date of the PJM West proposed tariffs (estimated to be April 1, 2002), within PJM West. The Company states that, although there is no requirement in the contract that Dominion Virginia Power serve the Borough through a specific energy source, once the PJM West proposed tariffs become effective, providing energy from PJM West is the most efficient way for the Company (and DEMI, by assignment) to fulfill its obligations to the Borough under the Agreement. DRI will guarantee DEMI’s obligations under the Agreement.

As a result of the proposed assignment of the Agreement, Dominion Virginia Power will be released from all associated liability under the Agreement. Dominion Virginia Power states that the proposed assignment of the Agreement would enable the Company to avoid the possible

establishment of a tax nexus with states other than Virginia, North Carolina, and West Virginia. The Company represents that, to the extent activities pursuant to the Agreement create a tax nexus with states other than Virginia, North Carolina, and West Virginia, DEMI will be subject to state taxes at a much lesser amount in such states because Dominion Virginia Power's taxable income will not be used to compute the state tax amount. The Company further represents that the assignment would have no detrimental impact to Dominion Virginia Power ratepayers because the sales of power to the Borough involve power generated from facilities that are not Dominion Virginia Power system resources, are not located in Virginia, are not subject to cost of service regulation in Virginia, and are not, and will not be, financially supported by Dominion Virginia Power customers.

THE COMMISSION, upon consideration of the petition and representations of the Petitioners and having been advised by its Staff, is of the opinion and finds that exemption of wholesale power contract assignments from the filing and prior approval requirements of § 56-77 of the Code of Virginia is in the public interest and should be granted provided that such contracts do not use in-system resources or external resources dedicated to Dominion Virginia Power's retail service in Virginia.

Accordingly, IT IS ORDERED THAT:

- 1) Pursuant to §56-77 of the Code of Virginia, the requested exemption of the assignments of wholesale power contracts from the filing and prior approval requirements of §56-77 of the Code of Virginia is hereby granted, provided that such contracts do not use Dominion Virginia Power in-system resources or external resources dedicated to Dominion Virginia Power's retail service in Virginia.

- 2) Such exemption shall apply to the assignment from Dominion Virginia Power to DEMI of the Agreement as described herein and for such future assignments provided that the above-described conditions are met.
- 3) The exemption granted herein shall have no ratemaking implications.
- 4) The exemption granted herein shall not preclude the Commission from exercising the provisions of §§ 56-78 and 56-80 of the Code of Virginia hereafter.
- 5) The Commission reserves the authority to examine the books and records of any affiliate in connection with the exemption granted herein whether or not the Commission regulates such affiliate.
- 6) The Company shall include such assignments in its Annual Report of Affiliate Transactions to be submitted to the Director of Public Utility Accounting of the Commission by no later than May 1 of each year for the preceding calendar year, subject to extension by the Director of Public Utility Accounting of the Commission.
- 7) If Annual Informational and/or General Rate Case Filings are not based on a calendar year, then Dominion Virginia Power shall include the affiliate information contained in the Annual Report of Affiliate Transactions in such filings.
- 8) There appearing nothing further to be done in this matter, it hereby is dismissed.